

**KELSO SCHOOL DISTRICT NO. 458**  
**Cowlitz County, Washington**  
**September 1, 1991 Through August 31, 1992**

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**Schedule Of Findings**

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1. The District Should Comply With Federal Requirements For The Chapter 1 Program

The State Superintendent of Public Instruction (SPI) passes through to the district federal funds for Chapter 1 of ESEA (CFDA 84.010). Accordingly, the district must follow federal guidelines in expenditure of these funds. Those guidelines also define the Chapter 1 program as a major program at this district. The district inappropriately allocated some payroll and indirect costs to the Chapter 1 program.

Office of Management and Budget (OMB) *Compliance Supplement for Single Audits of State and Local Governments* pertaining to the Department of Education's Chapter 1 program requires those funds be used only for the purposes of that program.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, C., Basic Guidelines, 2. Allocable Costs, states, in part:

- a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.

According to the Director of Special Education, the charges were based on the district's plan to employ a Communications Disorders Specialist in the Chapter 1 program. Apparently, when plans were changed, a portion of the payroll costs for that individual continued to be charged in error to the Chapter 1 program.

Also, the district's time distribution records did not support the allocation of payroll costs for a Coweeman Junior High School reading teacher to the program. The error occurred because these charges were based on estimates and not adjusted to actual time and effort records, as planned. Because the district claimed excess payroll costs, they also claimed excess indirect costs, which are based on the total charges.

	<u>Charged to Chapter 1</u>	<u>Documented Chapter 1 Costs</u>	<u>Overcharge</u>
Communication			
Disorder Specialist	\$11,026	\$ -0-	\$11,026
Reading Teacher	25,494	13,319	<u>12,175</u>
Total			23,201
Excess Indirect Costs			<u>2,353</u>
			<u>\$25,554</u>

We recommend the district carefully review payroll charges to federal programs to ensure compliance with the federal requirements. We further recommend the district contact the granting agency for resolution of the questioned cost of \$25,554.

2. The District Should Comply With Requirements Of The Special Education Grants

The State Superintendent of Public Instruction (SPI) passes through to the district federally funded Special Education Grants (Part B, Individuals with Disabilities Act) (CFDA 84.027). The special education program at Kelso School District is considered a nonmajor program by federal guidelines. While monitoring the program in December 1992, the SPI found several instances of noncompliance with its requirements regarding developing and implementing individualized education programs (IEP) for disabled students. This resulted in noncompliance with the provisions of the *Code of Federal Regulations* (CFR), 34 CFR 300.341 and .346 which state in part:

(a) Public agencies. The State educational agency shall insure that each public agency develops and implements an individualized education program for each of its handicapped children . . .

. . . The individualized education program for each child must include:  
. . . (e) Appropriate objective criteria and evaluation procedures and schedules for determining, on at least an annual basis, whether the short term instructional objectives are achieved.

According to the district's Director of Special Education, the instances of noncompliance were a result of the reduction of the special education teaching staff and failure to follow established procedures.

The SPI ordered the district to formulate a corrective action plan to address the noncompliance cited in its findings. The SPI also directed the district to correct the possible procedural problems which allowed the violations to occur. SPI did not disallow or question any costs in its reports to the district.

The district is currently in the process of resolving the issues with the SPI.

We recommend the district work with SPI to help ensure future compliance with grant requirements.

3. The District Should Retain Records For Interscholastic Activities

Kelso School District has sponsored Washington Interscholastic Activities Association (WIAA) tournaments and events. The district kept a bank account to deposit event receipts and pay related expenses on behalf of WIAA. Also, the district was to receive sponsorship revenue from the account. The custodian for the bank account and related supporting records closed the account in January of 1993 and deposited the balance in the ASB fund. He then disposed of the records because he believed they were no longer needed and did not realize they would be considered public records.

However, since district personnel and facilities were used for these student athletic events, the related documents are public records which should have been retained.

Regarding the necessity for keeping public records, RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and . . . all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain . . .

Without receipts, invoices, bank statements, check registers, and other records, we were unable to determine if revenues and expenditures for these activities were proper, or if the district received the correct amount of sponsorship revenue. The district's internal control structure was designed to prevent the occurrence of such condition, but these transactions were processed outside the district's normal control systems.

Therefore, this does not indicate a weakness in the district's established controls.

We recommend the district require that transactions for all district sponsored WIAA events be processed through the district's systems and that all records for those events be retained.